

MANZULLO: Bills seek cut in tax rate

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ly one in every five jobs is in a manufacturing plant. In the Midwest, more than 15 percent of the jobs are in manufacturing, compared with about 12 percent nationwide.

Manzullo's grim assessment comes as the largest U.S. manufacturing show, FABTECH International, prepares to open Nov. 16 at McCormick Place. More than 30,000 people are expected to attend the four-day trade show sponsored by the Society of Manufacturing Engineers and the Rockford-based Fabricators and Manufacturers Association International.

The outlook is more troubling for small and medium-size manufacturers, which lack the financial depth to weather a long-term downturn. Nationwide, 10,000 of the 14,000 members of the National Association of Manufacturers are small and medium-size businesses.

"I don't see manufacturing recovering at this point," Manzullo said. "It will recover, but it won't be to the extent it was."

Demetria Giannisis, presi-

dent and chief executive of the Chicago Manufacturing Center, agreed. The manufacturing center is a non-profit company that works with manufacturers to improve productivity, expand markets and retain high-wage, high-skill jobs. Much of its work is with small and medium-size firms.

Some of the 3 million manufacturing jobs lost in the downturn won't be recovered, she said.

"Jobs related to making plastic injection tubes or plastic gloves are not going to return," she said, noting that those jobs have gone overseas.

"We can't afford just to ride

this out. There are things that Congress is doing, but they need to do more," Giannisis said.

Last week, the House Ways and Means Committee approved the American Jobs Creation Act of 2003, which would reduce the income tax paid by manufacturing firms to 32 percent by 2008. Small manufacturers would benefit sooner than larger firms under the legislation sponsored by Ways and Means Chairman Bill Thomas (R-Calif.).

The bill, which repeals a portion of the tax code found to be an illegal export subsidy, proposes \$60 billion in tax breaks over the next decade for manu-

facturers and multinational companies in addition to the reduced tax rate.

Its future is uncertain because of legislation co-sponsored by Manzullo and Reps. Phil Crane (R-Ill.) and Charles Rangel (D-N.Y.) that would end the subsidy and still reduce the tax rate for manufacturers but would not include the \$60 billion worth of breaks. The Manzullo, Crane, Rangel bill has 149 co-sponsors.

Despite the bleak manufacturing outlook, some small manufacturers say they see signs of improvement in 2004.

"There are positive signs on the horizon," said Jeremy

Claeys, a spokesman for the National Small Business Association, which last week surveyed 11,000 of its manufacturing members. The association counts 150,000 small businesses as members.

While planning on a better 2004, firms that responded to the survey were taking a cautious stance by limiting capital expenditures. Nearly 60 percent said they plan to hold capital expenditures to less than \$100,000.

Although those responding were about evenly divided on plans to add employees versus remaining the same size, nearly 90 percent said they expected a rise in revenues in 2004.

But Claeys said the expectations of rising revenues are deceiving.

"They're recovering from a miserable 2003," when most manufacturing firms experienced a sharp decline in revenue, he said.

But Giannisis said it appears that the rebound some manufacturers expect for next year is only cyclical. Her organization is advising firms to focus on developing alliances and innovation to foster growth rather than cost reductions.

"We have to look at this in the long term, even though we are feeling the pain of job loss right now," she said.

Manufacturing's malaise retains tight grip in U.S.

By John Schmeltzer
Tribune staff reporter

It could be some time before U.S. manufacturing begins climbing out of the black hole into which it stumbled nearly three years ago, with nearly 3 million manufacturing jobs lost during that period.

"The problem is that the worst may still be ahead of us," said U.S. Rep. Donald Manzullo (R-Ill.), chairman of the House Small Business Committee. Manzullo helped create a manufacturing caucus that has more than 140 members dedicated to finding a solution to the woes that have gripped the sector.

The bad news is particularly hard to hear for small and medium-size companies, which make up the majority of manufacturers.

After showing signs of recovery in 2002, Midwest manufacturing resumed its slide at the beginning of this year, according to the Federal Reserve Bank of Chicago. At the end of October the bank reported that its manufacturing index had fallen for the first seven months of the year.



Tribune photo by Jim Prisching

"The problem is that the worst may still be ahead of us."

—U.S. Rep. Donald Manzullo (R-Ill.)

Manzullo cited the closings of two Rockford plants by Textron Inc. and a Motorola Inc. repair facility as evidence that manufacturing remains on the ropes in Illinois.

Manufacturing's health is critical to Illinois, where near-

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